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REMARKS**Status**

The status of the claims is as stated above.

35 U.S.C. §112 Rejection of Claims 1-6 (Paragraphs 4-6 of Office Action)

Claim 1 has been amended to address the concern raised by the Examiner in paragraphs 4 and 6 of the June 23, 2004 Office Action. We appreciate the Examiner's comments made in paragraph 2 of the Office Action, which were helpful in understanding the Examiner's position.

Claim 1 now recites: (a) if there is no better trade in at least one stock order originating from outside the system for the particular stock for *neither* the first party *nor* the counterparty, the system electronically executes the trade agreed to by the first party and the counterparty; and (b) if there is a better trade in at least one stock order originating from outside the system for the particular stock for *either* the first party *or* the counterparty, the system executes the better trade. Thus, in (a) the system will execute an agreed to trade between two orders (a buy order and sell order) over the system (e.g., both originating from inside the system), if there is not a better trade with an order (which could be a buy order or a sell order) originating from outside the system for neither of the two orders of the agreed to trade, and where there is a better trade in (a) for either the first party or the counterparty with an order originating from outside the system, the system in (b) executes the better trade.

It is believed that the logical expressions in claim 1 for trading between orders are supported by the specification, both by the passage at page 16, lines 6-22, cited by the Examiner, and at page 3, line 24 to page 4, line 3 where the specification makes clear that

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after the parties agree on a trade of orders, then *either* a buy order or a sell order of the agreed to trade can be matched with *either* a sell order or a buy order originating from outside the system, respectively.

It is submitted that claim 1 as amended satisfies 35 U.S.C. §112, and withdrawal of the §112 rejection is requested with respect to claims 1-6.

Claims 1-15 (Paragraphs 2 & 5 of Office Action)

Claims 1-15 were rejected under 35 U.S.C. §103 as being unpatentable over Silverman et al. and Tilfors et al.

In rejecting claims 1-15, the Examiner recognized that Silverman et al. "do not explicitly recite price discovery outside the initial trading system" (page 8, lines 5-6 of Office Action), and cited Tilfors et al. as providing a disclosure of price discovery outside the initial trading system, recognized to be missing in Silverman et al.¹ Accordingly, we address below what Tilfors et al. discloses about price discovery and show that claims 1-15 are patentably different from such price discovery.

In paragraph 2 of the Office Action, the Examiner states that "Tilfors et al. teach order books and order books comprise buy and sell orders, hence the system seeks a best price for a party whether that party is a buyer or a seller." As discussed below, to the extent that the Examiner means by this statement that for an entered buy order in the

¹ Applicants disagree that Silverman et al. is properly combinable with Tilfors et al. because Tilfors et al. does not describe that the system include negotiation. The Examiner has not provided any basis for adding negotiation to Tilfors et al., except for the general statement that the Tilfors et al. system would operate to seek a better price (see bottom of page 2 of Office Action). (As discussed, below, Tilfors et al. does not disclose negotiation for the described automated exchange.) Also, the Examiner's statement on page 2 of the Office Action that "Silverman et al. teach a system where a party enters an order (bid or offer) and the system then matches the order with a counterparty order" is not complete without also indicating that there can be no trade until the parties negotiate and agree on the terms of the trade, i.e., matching is not automatic execution and there can be no execution of a trade without the parties first agreeing to the trade.

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Tilfors et al. system, the system checks order books for prices of both buy and sell orders, and for an entered sell order in the Tilfors et al. system, the system checks order books for prices of both sell and buy orders, Applicants disagree. As discussed below, for an entered buy order, the Tilfors et al. system only checks prices of sell orders, and for an entered sell order, the system only checks prices of buy orders.²

Tilfors discloses that for an entered buy order, the system checks order books only for sell orders, and not also buy orders, and for an entered sell order, the system checks order books only for buy orders, and not also for sell orders. In contrast, claim 1, for example, provides for a party and a counterparty to agree to a trade, so that there would be both a buy order price and a sell order price originating within the system against which both a sell order price and a buy order price, respectively, originating from outside the system can be compared for a better price. This doesn't happen in Tilfors et al. where only a buy order or a sell order is entered. There is no provision in Tilfors et al. for a entering a buy order and entering a sell order which are then somehow related and then conducting price discovery with respect to both orders.

Instead, in Tilfors et al., a person enters an order into the system, which is received by the system. As mentioned above, the entered order can be a buy order or a sell order (but not both at the same time). Assume that the order is a buy order per the example starting at col. 2, line 40 of Tilfors et al. Next, the order book (in-exchange) is checked for a best sell order. Then, the out-of-exchange order books (exchanges 103 and

² The Examiner may already agree with Applicants' position in that the Examiner states that Tilfors et al. teach a system that...automatically checks the corresponding price [not prices] of the security." (Page 8, line 6-9 of Office Action.) Such disclosure in Tilfors et al. confirms that Tilfors et al. only checks a sell price for an entered buy order and a buy price for an entered sell order, but not buy and sell prices for any entered order.

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105 in Fig. 1) are checked for the best sell orders. (There is no mention in Tilfors et al. of negotiation or any agreement between parties on terms prior to execution.) Then, the best price for the buy order is determined from the best sell order in the in-exchange and out-of-exchange order books. If the best price can be obtained from the in-exchange order book (exchange 101 in Fig. 1), matching takes place between the entered buy order and the best sell order on the in-exchange book. Otherwise the entered buy order is either transferred to another exchange for execution or else the price for trading the entered buy order on the automated exchange 101 is adjusted. (Price adjustment as described in Tilfors et al. is not negotiation, as discussed below.) Tilfors et al. does not disclose two parties negotiating and agreeing to a trade, for which there would then be an agreed to buy price and an agreed to sell price against which price discovery could proceed out of the exchange for both buy and sell orders.

Applicants point out that all of the checking described above in Tilfors et al. is for the purpose of finding the best sell order for the entered buy order, and not *vice versa*. Tilfors et al. does not disclose performing the reverse check, i.e., for an entered buy order, checking order books for a better buy order for any sell order in an order book. It is submitted that this reverse check makes no sense in the Tilfors et al. system because the only order available for which to seek price discovery is the entered order, which is a buy order or a sell order but not both. In contrast, in claim 1, for example, there is an agreed to trade between orders of a first party and a counterparty such that an agreed to price is presented for both a buy order and a sell order. As such, books of orders originating from outside system can be checked to see if there is a better price for the buy order as well as for the sell order.

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Tilfors, et al. simply does not address two-way checking when a buy order is entered. For example, where a buy order is entered in Tilfors et al. and sell orders are checked for a better price, with what sell order in which order book would the prices of buy orders be checked? Similarly, when a sell order is entered in Tilfors et al. to start the checking procedure, all checking is with respect to buy orders on order books, and not *vice-versa* - again, there is no two-way checking.

Claim 1

As discussed above, amended claim 1 recites that if there is no better trade in at least one stock order originating from outside the system for the particular stock for neither the first party nor the counterparty, the system electronically executes the trade agreed to by the first party and the counterparty. Tilfors et al. does not disclose a first party and a counterparty agreeing to trade up to an agreed number of shares of a stock at an agreed price and then executing or not executing the agreed to trade depending upon whether there is no better trade order originating from outside the system for neither party to the agreed to trade. Even if it were obvious to combine Silverman et al.'s negotiation with Tilfors et al. (which Applicants contend it is not), the combination does not disclose parties agreeing to a trade, and then execution of the agreed to trade only if there is no better trade for neither party to the agreed to trade. As discussed above, Tilfors et al. only performs price discovery against the entered order, which is only one side of the trade. There is nothing in Silverman et al. or Tilfors et al. that suggests two-way price discovery, which only Applicants have disclosed and not either of these two references.

Continuing with the procedures described in Tilfors, et al., when there is no match, Tilfors, et al. provides for price adjustment (see Fig. 3). As mentioned above,

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price adjustment in Tilfors et al. is not negotiation. Price adjustment is described in Tilfors et al. at col. 2, line 58-col. 3, line 16, and Fig. 3. As described in the last paragraph in col. 2 of Tilfors et al., price adjustment is determined by a parameter which indicates how much the market maker is prepared to adjust its price. The parties do not enter into a negotiation. Rather, as decision block in Fig. 3 indicates, if the price adjustment parameter is better than or equal to the price on the other exchange, the order is matched in decision block 305 (no negotiation), and if it is not better, the marker maker is notified to trade the order manually in block 303 (again, no negotiation).

It is submitted that claim 1 is allowable over the combination of Silverman et al. and Tilfors et al.

Independent Claims 6 and 9

It is submitted that independent claims 6 and 9 are also allowable over the combination of Silverman et al. and Tilfors et al. based on the reasoning expressed above and arguments made in the last Response.

Dependent Claims 2-5, 7, 8, and 10-15

It is submitted that the above dependent claims are allowable at least for the reason that they depend from an independent claim shown above to be allowable.³

Claims 16-29 (Paragraphs 2 & 9 of the Office Action)

Claims 16-29 were rejected as a group under 35 U.S.C. §103 as being unpatentable over Silverman et al., Ferstenberg et al. and McCausland et al.⁴

³ Applicants reserve the right in this or another proceeding to rely on the patentability of the subject matter of the dependent claims without solely relying on the subject matter of any parent claim.

⁴ Once again Applicants point out that claims 16 and 26 were rejected only on the basis of Silverman et al. because the language in the claims to which the Examiner referred when discussing Ferstenberg et al. and McCausland et al. appears in claims 24 and 20-23, respectively, and not in claims 16

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In claim 16, the IOI transmitted by the system is an IOI in a stock with respect to which the user has entered an order that can be automatically traded. Although Applicants believe that claim 16 already provided this, expressly or inherently, claim 16 was amended herein to recite that the at least one computer is programmed to (a) create a subset of system users selected by a user to which the user authorizes the system to transmit an IOI in a stock for which that user has entered a *related* order that can be automatically matched and for which a trade can be automatically executed, and (b) to transmit to the users in the subset of users selected by the user that entered the *related* order the IOI with respect to which the related order has been entered.

Claim 16 was also amended to refer to *automatically* matching orders and *automatically* executing trades of *automatically matched* orders. Thus, claim 16 now recites that the system automatically matches orders and executes trades of matched orders, and transmits an IOI in a stock for which the user has entered a related order that can be automatically matched and for which a trade can be automatically executed, and expressly relates the IOI to a specific order that can be automatically matched and automatically traded by the system.

The system described in Silverman et al. does not automatically execute a trade without the parties first negotiating. The last bullet on page 9 of the Office Action (Paragraph 9) reads with respect to disclosure in Silverman et al. "entering IOI with offers or bids (column 7, lines 25-30)." As discussed below, whatever you call whatever it is that parties enter in Silverman et al., such is disclosed in Silverman et al. only to be capable of being the subject of negotiation to reach agreement on a trade, and not

and 26.

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something that can be automatically traded without any negotiation.

In Silverman et al., the parties must have already negotiated and agreed to the terms of a trade before the trade can be executed. A bid, offer, order, or an expression of interest in Silverman et al. cannot be executed by the matching computer without the parties first negotiating.

The Examiner makes the point on page 3 of the Office Action that the claims as then written do not exclude the possibility that an IOI in Silverman et al. is also an order. However, Silverman et al. does not disclose that an order can both be automatically traded and negotiated, but instead, that parties must first negotiate before any trade can be executed on an order.

Claim 16 as amended herein states in the preamble thereof that "the at least one computer is programmed to automatically match orders entered into the user stations by users and to automatically execute trades of matched orders (which is not disclosed in Silverman et al.), while also stating at the end of the body of the claim that the at least one computer is programmed to transmit the IOI with respect to which a related order that can be automatically matched and for which a trade can be automatically executed has been entered (Silverman et al. transmits one thing, whether it is called an IOI, an order or a bid).

Thus, in claim 16 there is both an IOI, than can be negotiated, and a related order that can be automatically matched and traded without any negotiation at all. This is simply not disclosed in Silverman et al.

The Examiner's statement in the last three lines on page 9 of the Office action regarding transmitting an IOI with an order "only if the order exceeds a threshold

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quantity," does not apply to claim 16 or claim 26 since such language is not found in those claims.

With respect to claim 26, as amended, it includes language that parallels that added to claim 16, although it is believed that claim 26, like claim 16, already provided, expressly or inherently, for the stated relationship between the IOI and an order.

It is submitted that claims 16 and 26 are allowable over Silverman et al. for the reasons discussed above.

Claims 17-25 are dependent upon claim 16 and claims 27-29 are dependent upon claim 26. It is submitted that these dependent claims are allowable at least for the reason that they depend from an independent claim shown above to be allowable.

No New Issues

The above amendments to the claims in the Listing of Claims relate solely to issues previously presented and discussed, in writing and orally, with the Examiner.⁵ Therefore, it is submitted that the amendments do not raise new issues, and the Examiner is respectfully requested to enter the amendments even if he does not allow all claims to thereby permit an appeal to proceed with the rejected claims as amended herein.

⁵ Applicants respectfully point out that the issues have continually been refined during examination of the original application and the continued prosecution application, and are ripe for full consideration on the merits at this time in this application or in an appeal in this application.

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Conclusion

Applicants respectfully submit that this Response addresses and overcomes all pending rejections, and request that the Examiner reconsider and withdraw all rejections in view of the discussion above, and pass the application to issue.

Respectfully submitted,

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